

Board Study Session (Tuesday, May 26, 2015)

Generated by Shelley R Shelton on Tuesday, June 2, 2015

Members present

Julie Rash, McKay Jensen, Jim Pettersson, Marsha Judkins, Michelle Kaufusi, Shannon Poulsen, Taz Murray

Staff members present

Keith Rittel, Superintendent; Stefanie Bryant, Business Administrator; Gary Wilson, Exec. Director of Student Services; Alex Judd, Exec. Director of Elementary Education

Excused

Gary Wall Executive Director of Human Resources, Jason Cox, Director of Human Resources; Shelley Shelton, Executive Assistant

Guest

Joe Rankin, Financial Analyst

Meeting called to order at 7:32 AM

A. 7:30 a.m. Study Session

1. Welcome: President Julie Rash

2. Roll Call

3. Draft Final 2014-2015 and Proposed 2015-2016 Budgets: Business Administrator Stefanie Bryant and Financial Analyst Joe Rankin

Business Administrator Stefanie Bryant shared the following introductory information:

- By June 22 of each year the Board must adopt a budget for the upcoming year. The budget should support the goals and objectives of the organization.
- In efforts to be open, transparent, and accountable to the public, the District has adopted a goal of annually obtaining the Meritorious Budget Award from both the Government Financial Officers Association (GFOA) and the Association of School Business Officials (ASBO), which represents national excellence in the budgeting process. By statute, the Board must be presented the budget by June 1; the Board must hold a public hearing on the budget; notice of the public hearing must be advertised at least ten days before the hearing, and the Board must adopt a budget before June 22.
- The budget hearing and budget adoption is scheduled for Tuesday, June 9, at the 7 PM Board meeting. A notice of the budget hearing and the budget study session will be placed in the May 28, 2015 edition of the *Daily Herald*. The presented budgets contain additional detailed information which the board will also be approving with the adoption of the budget (capital improvement project list, fund balance transfers, etc.) (See attachment.)

Financial Analyst Joe Rankin reviewed the presentation topic overview:

- **Board Mission Statement and Board Goals and how some of the goals have been accomplished:**
 - Goal I : Continuous Academic Improvement and Transparency
 - Provo Way Learning Initiative; improved ACT scores; above average test scores
 - Goal II: Support for Teachers and Teaching Aligned with Research, Best Practices, and Teacher-

Identified Needs

- Additional Professional Development day; Cost of Living Adjustment (COLA) increases; math curriculum adoption; language arts curriculum adoption; "The Provo Way"
- Goal III: Improved Certainty and Stability in the Direction of the District
 - Planned reduction in fund balances minimized; bond passing; IT funding increase; school security upgrades
- Goal IV: Financial Prioritization, Long-Term Planning and Transparency
 - Unrestricted balance back to 5%; monthly budget summary reports; District Audit Committee; policy updates
- Goal V: Teamwork, Professional Conduct, and Civility
 - Increased opportunities for training; HR/Finance Handbooks; interdepartmental collaboration; professional norms

Long-term Budget Assumptions and Guidelines: The environment we operate in

Revenues

- Inflation will average 3% annually
 - (10 year average CPI increase of 2.28%)
- State funding will average 3% increase annually
 - (10 year average increase of 3.28%)
- The District will match state funding with local funds portion as required by law
- Federal funding continues to be inconsistent. We expect a decline of an average of 2% annually. The District will not replace these funding losses.
 - (10 year average decrease of 2.46%)

Expenses (Subject to funding)

- The District, when possible, will provide total compensation increases which approximate inflation.
- The District will conduct periodic total compensation surveys and adjust total compensation to remain competitive.
- The District will, on average, fund up to 10% annually for medical inflation.
 - (12% Premium increase budgeted for FY 2016)
- Pension costs will see minimal rate increases over the next few years.
 - (Retirement rate increases expected to be flat for FY 2016)
- Energy costs will continue to increase roughly 5% annually.
 - (Average increase of 5.28% over last 6 years)
- The District will provide curriculum replacement funds at a level necessary to fund a 10 year curriculum plan.
- The District will provide IT infrastructure replacement funds at a level necessary to fund a 10 year IT infrastructure plan.

Property Tax Adjustments

Rates Comparison

- Provo: 0.006636
- Provo (Bond): 0.007596
- Alpine: 0.008096
- Nebo: 0.009183

Rates by Levy: Tax year 2013-2014

Rate Effect on Revenue: Tax Year 2013-2014

Residential	2013	2014
House Value	\$250,000	\$250,000
Residential Exemption	45%	45%

Assessed Value	\$137,500	\$137,500
Provo City School District Total Tax Rate	0.007094	0.006636
Property Taxes for Provo City School District	\$975	\$912

Business	2013	2014
Business Value	\$250,000	\$250,000
Residential Exemption	0%	0%
Assessed Value	\$250,000	\$250,000
Provo City School District Total Tax Rate	0.007094	0.006636
Property Taxes for Provo City School District	\$1,774	\$1,659

Utah Redevelopment Agency (RDA) Reporting Changes

- New state mandates on how Districts report RDA transactions
 - Creation of a new "Special Revenue" Fund to track RDA Revenue/Expenditures
 - \$0 Net effect on budget
 - \$1.1M in revenue/expense in FY15
 - \$1.25M in revenue/expense in FY16
- Effects on budget
 - Even though the District never sees this revenue (or expenses) our financials will now reflect the additional tax revenue.

FY2015-16 Budget Review

Capital Projects Budget Shifts

- The following changes require Board approval. This budget document includes any budgetary effects resulting from the below items.
 - \$75k Dixon Irrigation Automation – Shift project from FY2016 to FY2015
 - \$30k Franklin HVAC Upgrades/Repairs – Shift from FY2016 to FY2015
 - \$30k Independence HS HVAC Upgrades/Repairs – Shift from FY2016 to FY2015
 - \$700k Timpview Track & Field – Shift from FY2015 to FY2016
 - \$58k Sunrise Preschool Portables – Shift from FY2015 to FY2016

Proposed Budget

- Maintains current class sizes
- Continues to fund existing academic/extracurricular programs at existing levels
- Maintains property tax level at significantly lower rate than surrounding districts
- Accounts for all bond-related construction expenses
- Increases funding for District technology replacement program
- Provides funding for part-time elementary school counselors and school health clerks
- Provides funding for the implementation of Dual Immersion programs at the secondary school level
- Includes funding for all expenses associated with the negotiated agreements between the District and PEA/PESP groups
- Provides funding for Math/Language Arts curriculum adoption expenses

Big Picture FY 2015-16

Revenue

- Increase in WPU of 4.0% from \$2,970 to \$3,092
- Increase in state funding of approximately \$5.6M
 - Much of this is restricted to specific state programs
 - eSchool projected enrollment of 3,200 students accounts for \$2.5M projected WPU state funding increase (revenue offset by vendor expenses result in net positive of only \$173k on budget)
- Increase in property tax revenues due to increased valuation and rate increase for debt service
- Increase in indirect revenue of approximately \$725K due to increase in indirect rates
- Decrease in projected federal revenue based on historical trends
- Enrollment is roughly flat with the exception of projected eSchool growth
- School lunch fee increase, offset by expected lower participation rates resulting in negligible Food Services revenue increases

Expenses

- Increase in energy expense by 1.0%
 - Savings from Cenergistic program expected to offset majority of projected energy cost increase
- Increase in curriculum replacement and IT computer expense of \$1.0M in FY16 as a result of replacement plans
 - \$500k for IT replacement
 - \$460k for year 2 of Math curriculum adoption
- Increase in eSchool curriculum expense of \$2.3M due to projected enrollment growth
- Bond-related construction expenses of \$31.3M
 - Rock Canyon – Summer 2015
 - Sunset View – Summer 2015
 - Provo High – Fall 2015
- Provo Way Learning Initiative expenses of \$600k
- Part Time Elementary Health Clerks and Social Workers result in payroll increase of \$370k

Compensation Expenses

- Salaries:
 - Teachers: 181 contract days; 2 professional development days
 - All Employees: Average of 3.30% salary adjustment
 - \$2.0M in added expense
- Minimum wage increase from \$7.25 to \$8.25
- Benefits:
 - Medical Premium increase by 12% - employees pick up 20% of increase through premium participation
 - No Increase to retirement rates
 - \$2.35 million contributed to OPEB reserve
 - Total benefits expense increase of \$1.50M
- Additional Positions:
 - Part-Time Elementary Counselors
 - Part-Time Health Clerks
 - Bond Planning Principal
 - \$500k total expense increase for additional positions

Revenue by Type:

2014 Revenues

- 35% Local - \$42,423,021
- 51% State - \$61,612,173
- 14% Federal - \$16,253,024

2015 Revenues

- 34% Local - \$44,455,429
- 55% State - \$72,491,215

- 11% Federal - \$14,527,394

2016 Revenues

- 35% Local - \$49,125,353
- 55% State - \$78,183,214
- 10% Federal - \$13,537,237

Expenditures by Function - Actual / Projected FY 2013-14 to FY2015-2016

- Instruction: FY15 59% / FY16 50%
- Other Support: FY15 4% / FY16 3%
- General Administration: FY15 2% / FY16 2%
- School Administration: FY15 4% / FY16 3%
- Business/HR/Central: FY15 4% / FY16 4%
- Maintenance: FY15 4% / FY16 4%
- Transportation: FY15 2% / FY16 1%
- Food Services: FY15 4% / FY16 3%
- Non K-12 / Community: FY15 3% / FY16 2%
- Capital: FY15 8% / FY16 21%
- Debt: FY15 5% / FY16 6%

Fund Financial Summaries FY2014-15 to FY2015-16: Revenues and Expenditures

- All Funds
- General Fund
- Capital Projects Fund
- Capital - Non-Bond
- Debt Service Fund
- Student Activities Fund
- Food Services Fund
- Building Reserve Fund
- Redevelopment Fund

All revenues were reviewed collectively and individually for the 2014 actual budget; 2015 final budget; 2016 original budget. Funds were itemized as follows:

- Revenues by Source
 - Local
 - State
 - Federal
 - Total Revenues
- Objects by Type
 - Salaries
 - Benefits
 - Purchased/Professional Services
 - Professional Services/Repairs
 - Other Purchased Services
 - Supplies
 - Property/Equipment
 - Other Objects
 - Total Expenditures
- Excess (deficiency) of revenues over (under) expenditures
- Other financing sources (uses) and other items

- Net change in fund balance
- Fund balance - beginning (from prior year)
- Fund balance - ending

All expenditures were reviewed collectively by category for FY 2014-15: General Fund; Capital Projects Fund; Debt Service Fund; Other Funds; Total All Funds:

- Non-spendable
- Restricted
- Committed To
- Assigned To
- Total Balance

Note: In order to meet state compliance staff will be asking for approval to move \$200k from the Board Voted Contingency to Unassigned fund balance

Supplemental Information:

Transfers Requiring Board Approval FY 2015

General Fund:

- \$700,000 for Provo Way Learning Initiative.
- \$300,000 for Tech computer replacement plan.
- \$250,000 for K-2 Language Arts curriculum replacement. (Carryover)
- \$2,800,000 for eSchool Curriculum expenditures. (Enrollment Increase)
- \$130,000 for school Social Workers expenses. (Carryover)

Capital Projects Fund:

- \$622,800 net shifted from FY15 budget to FY16 to cover new year summer projects.
- \$608,850 net shifted from FY14 budget to FY15 to cover portions of summer projects.
- \$444,585 to cover additional expenses related to Timpview HS field replacement.
- \$127,370 from Fund 10 for Enrollment Growth Capital Outlay revenue.
- \$771,120 for Bond expenses – Architect fees, initial construction fees, etc.

Other Funds:

- \$70,000 to cover 2008 series bond refunding fees.

Capital Improvement List: FY15-16 Major Maintenance & Repairs (see attachment)

Bond-Related Capital Project Expenses:

- Rock Canyon: New school construction draw downs
- Sunset View: New school construction draw downs
- Provo High School: New school construction draw downs
- District Office - Construction Manager expenses
- District Office - Purchasing Assistant expenses
- District Office - Planning Principal expenses

At the conclusion of the budget review, Superintendent Rittel indicated he and Business Administrator Stefanie Bryant met with DR Horton, the major home builder in southwest Provo, two weeks ago. According to Horton's current construction plans, the impact on the school district will be slower and much less than originally thought. Long-term options for the district in the area will be discussed in future executive sessions.

In addition, Supt. Rittel mentioned the Board will be asked on June 9 to approve the negotiated agreements for the licensed and classified associations, both of whom ratified their respective agreements.

B. Adjourn

1. Motion to Adjourn

I move we adjourn the study session.

Motion by Marsha Judkins, second by Shannon Poulsen.

Final Resolution: Motion Carries

Aye: Julie Rash, McKay Jensen, Jim Pettersson, Marsha Judkins, Michelle Kaufusi, Shannon Poulsen, Taz Murray

Adjourned 9:03 a.m.